



**SUMMARY MINUTES
DRAFT
ABAG PLAN Corporation
Board of Directors Annual Meeting
May 25, 2005**

**Hilton Garden Inn
765 Airport Blvd.
Burlingame, CA 94010**

PRESIDING:

Orry Korb

Los Gatos

MEMBERS PRESENT:

Bronda Silva
Linda Kelly
Leslie Carpentiers
Heather McLaughlin
Larry Anderson
Jesse Takahashi
Laura Allen
Julie Carter
Sandy Salerno
Kristi Chappelle
LeeAnn McPhillips
Debra Ryan
Kathy Leroux
Phil Rose
Maureen Cassingham
Jeff Killian
Emma Karlen
Jack Dilles
Gary Galliano
Maureen Lennon
Angela Howard
Jim O'Leary
Jennifer Crims
Cathleen Boyer
Michelle Braucht
Jim Steele
Jim Randall
Alex McIntyre

American Canyon
Atherton
Belvedere
Benicia
Burlingame
Campbell
Colma
Dublin
East Palo Alto
Foster City
Gilroy
Half Moon Bay
Hillsborough
Los Altos
Los Altos Hills
Millbrae
Milpitas
Morgan Hill
Newark
Pacifica
Portola Valley
San Bruno
San Mateo
Saratoga
Saratoga
So. San Francisco
Suisun
Tiburon

LEGAL COUNSEL: Peter Urhausen, Gibbons & Conley, for the City of Pacifica

STAFF PRESENT: Henry Gardner, ABAG PLAN President
Marcus Beverly, ABAG PLAN Risk Manager,
Joseph Chan, ABAG PLAN Chief Financial Officer
Ken Moy, ABAG PLAN Legal Counsel
Angela Salisbury, ABAG PLAN Claims Manager
Carol Johnson, ABAG PLAN Secretary

1. CALL TO ORDER & INTRODUCTIONS / OPENING REMARKS:

The meeting was called to order at 12:36 p.m. Orry Korb, Chair and Town Attorney of Los Gatos, gave opening remarks and a brief update on Committee activities for the fiscal year 2004-05. Introductions were made by members and attendees.

2. PUBLIC COMMENTS:

None

3. APPROVAL OF MINUTES, BOARD OF DIRECTORS MEETING 05/19/2004 AND 01/25/2005:

Board of Directors meeting minutes for 05/19/2004 and 01/25/2005 were approved as presented.
/M/McIntyre/S/Cassingham/C/approved

4. BUSINESS MEETING:

A. Election of Officers FY 2005/06:

The Executive Committee nominated Jim Steele as Chair and Larry Anderson as Vice Chair of the Board for fiscal year 2005-06. The Board agreed to approve their nominations.
/M/Cassingham/S/Salerno/C/approved.

B. Committee Appointments:

Marcus Beverly, ABAG PLAN Risk Manager requested appointments or volunteers for Committee vacancies. Heather McLaughlin of Benicia volunteered for the Claim Committee vacancy.

C. Meeting Schedule FY 2005/06:

Marcus Beverly requested action to approve the recommended meeting schedule and the appointed committee members. Also noted was change to move the next Annual Board of Directors meeting to June 7th, after Memorial Day. /M/Cassingham/S/McPhillips/C/approved

5. THE YEAR IN REVIEW:

Henry Gardner, President, presented his first report on the past year's goals and accomplishments. He reflected upon past experiences and tenure with the City of Oakland to provide an overview of some of the PLAN's challenges and accomplishments. He explained that PLAN is responsible for both risk management as well as finances and should always strive to do a better job than what is presently being performed. In our respective organizations, he challenges all to encourage those who are in the position to create liability to think about the consequences of their actions and the potential for liability. So much of what happens is not an accident but a lack of thought. Board Members should set the goal of thinking about what can be done to inspire our organizations to think about the risks that they create. The challenge is to manage the public's resources and manage it well.

6. RISK MANAGEMENT COMMITTEE REPORT:

A. Risk Management Assessment Update:

Cathie Bigger-Smith of Bickmore Risk Services presented an overview of her findings in conducting Risk Management Assessments for PLAN members, including explanation of the scorecard of each member's progress in implementing best practices. The goal of the project was to identify what each of our members is doing to control their risks and implement the best practices among all the members.

She reported on the observations that were driving the cost of liability claims for the cities upward. There is a high level of variability among the members when it comes to the use of best practices and the degree of documentation that exist at each of the cities. Documentation in most cases is what provides the defense against claims.

Among the measures that are working and considered best practices are police car cameras and sewer loss prevention ordinances. Sidewalk and tree ordinances have been successful in controlling claims, but only where they have been enforced with follow-up.

Among the top 5 most frequent and severe claims among the cities are accidents related to the operation of city vehicles, indicating a need to focus on this area. She also highlighted the need for more control over outsourced functions, to ensure contractors are following safety procedures, and training staff in how to respond to claims when they occur.

With the completion of the assessments and score card, she encouraged members to use the results to implement the appropriate best practices. The next step is to develop an action plan to implement the recommendations and access the resources needed to get it completed. Targeting each member's loss exposures will reduce the exposures of the pool and give us more control over our liability risks.

Marcus Beverly explained the framework asks members to designate Risk Managers for their cities as a focal point for risk management issues. The person designated should be at the department head level and have the full support of the city's Counsel and the City Manager. He also stated the City Manager should lend support by attending at least one Risk Management Committee meeting a year, to reinforce completion of goals and objectives for the upcoming year.

B. Risk Management Policy & Program Funding:

Marcus Beverly presented the staff report regarding the Risk Management Policy and Program Funding:

1. Risk Management Policy and Performance Standards

The Risk Management Policy is modeled after other policies that guide our funding, claims, and investment activities. The objective of the policy is to set criteria for admission and continued membership, establish methods to monitor compliance, and provide resources to improve member policies and procedures. The performance standards are meant to be the working standards for auditing members to best practices and for revisions.

The key areas of the Risk Management Performance Standards are: Risk Management Framework; loss experience trending factors; adherence to recommendations; and policies and procedures for reducing claims from our most common exposures.

In order to qualify for grants members must implement the framework and/or operational best practices associated with the exposure that is covered by the grant. Members will be provided resources and assistance in order to implement the recommendations, including presenting the goals, policies and practices to management and councils.

/M/Salerno/S/Killian to approve the Risk Management Policy as presented.

Vote – 25 approved, 3 abstentions, to approve as presented.

2. Risk Management Funding

Marcus Beverly presented funding options for the activities needed for each member to implement the recommended standards and funding of the various risk management grant programs. The main decision for the Board was to approve funding for the risk management services needed to implement the Framework, a total estimated at \$224,400.

One proposal called for prospective funding, with each member being charged from \$3,600 to \$14,400, depending on size, at the beginning of the fiscal year. A second proposal called for retrospective funding, with the invoice for the services being payable at the end of the fiscal year, and only if the member did not implement the Framework and recommended best practices.

After Board discussion a motion was made to choose the retrospective funding option and approve the funding for the various loss prevention programs as presented in the staff report.

/M/Salerno/S/Chappelle approved as presented, with one no vote from Morgan Hill.

7. ACTUARY COMMITTEE REPORT

A. Actuarial Review of the Self-Insured Liability Program FY 2005/06:

Mike Harrington of Bickmore Risk Services presented his firm's report, including a calculation of the PLAN'S estimated outstanding liabilities as of June 30, 2005, 2005/06 deposit calculation, and 2005/06 deposit allocation. The report was amended to include a large loss payment in March of this year and the impact for the 02-03 Program Year can be seen in the report.

Our outstanding liabilities are just over \$14 million at a 50% confidence level (CL), and \$20 million at a 90% CL. With assets just over \$40 million our SIR Fund is @ \$20 million. Loss funding for FY 05-06, with excess insurance of \$5 million over a \$5 million SIR, is estimated at \$5,165,000, a 7% increase. While our loss rate decreased the overall payroll increased 6%.

B. Renewal Options for Liability and Property Programs:

Dennis Mulqueeney, Vice President, Driver Alliant Risk Services, presented his firm's results in marketing the PLAN's excess liability and property coverages for FY 2005/06.

The property insurance market place is softening. At this time PLAN does not have large claims to contend with and therefore there should be a decrease in property insurance rates from 5%-15%. Appraisals of buildings over \$5 million will be conducted throughout the next fiscal year.

The excess liability insurance market continues to be limited for coverage for municipalities and public entities, with only a few participants, one being the current insurer, AIG. AIG will be quoting PLAN's insurance renewal and has provided an estimate of \$536,321, pending submission of a completed application

from each member. There may be a rate increase for inflationary factors or changes in population if more than a couple percent increase, but a flat renewal from AIG is expected.

C. Funding Options and Recommendations:

Marcus Beverly presented the Liability and Property Program funding options and recommendations, including how the options compare to the benchmarks and goals of the PLAN Funding Policy.

He recommends the liability program continue with a \$5 million SIR and \$5 million in excess coverage through AIG. Members are reminded they can purchase additional excess limits if needed. We have a goal of increasing the limits offered to all members to \$15 million. We could purchase additional limits, \$10 mil xs \$5 mil SIR, for an estimated total of \$767,350, @ \$230,000 more than the \$5 mil excess coverage. We could also consider self-insuring the \$5 mil xs \$10 mil portion of the coverage.

Board members expressed a desire to have more study of the funding of a \$15 million limit for future consideration. Beverly noted the actuary analysis has limited benefit due to the relatively few losses at that level. Much of the decision comes down to a review of the potential for catastrophic loss, particularly in light of other public agency claim settlements and new exposures, and how often they may occur.

Beverly requested approval for funding the property program as we have in the past, with the premium being allocated by total insured values.

After discussion and review Committee Members were asked to accept Actuary Report as presented. /M/Salerno/S/Cassingham/C/approved.

After discussion and review Committee Members were asked to approve the Liability Program funding with a \$5 mil SIR and \$5 mil excess insurance through AIG. /M/Salerno/S/Cassingham/approved, with Pacifica abstaining.

After discussion and review Committee Members were asked to accept the property funding allocation as presented. /M/Salerno/S/Cassingham/approved, with Pacifica abstaining.

8. FINANCIAL SUMMARY REPORT:

- A. Financial and Investment Report
- B. Audited Financial Statements
- C. Revised Investment Policy

Joseph Chan, Finance Director presented an overview of his Financial and Investment Report and the PLAN's audited financial statements. In the interest of time he focused on the revised Investment Policy for Board approval.

PLAN hired a consultant, PFM, to review our investment strategy, portfolio, and Investment Policy. . The consultant recommended changes to the policy to bring it up to date with changes in the law, allow for purchase of AA corporate notes, and limit the amount of callable securities. The change from AAA to AA corporate notes will open up more opportunity to invest in high quality corporate notes, with a limit of no more than 10 percent of the portfolio.

After discussion with staff, the Finance Committee agreed to recommend lowering the limit of callable securities from 30 to 25 percent of the portfolio. Other changes to the Policy are minor and designed to bring it in line with current legal requirements and practices.

Salerno requested a copy of the management letter for the audited financials and to include it in future copies of the statements.

After a brief discussion and review the Investment Report, audited financials, and Investment Policy revisions were approved as presented. /M/Salerno/S/Anderson/C/approved

9. CLAIM COMMITTEE REPORT:

Marcus Beverly presented a brief update of the Claim Committee's activities for the year, including retention of a legal bill auditing firm, purchasing of new reporting software, and approval of claim settlements.

10. ADMINISTRATIVE BUDGET FY 2005-06:

Marcus Beverly presented the proposed administrative budget for Board approval. After a brief discussion and review the administrative budget FY 2005-06 was approved as presented.
/M/McIntyre/S/Cassingham/C/approved.

11. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED OR EXISTING LITIGATION:

- **Pacifica vs. ABAG PLAN**

The Board chose not to enter in to closed session as there were no questions or pending decisions regarding the litigation at this time.

12. Announcements:

None

13. Other Business:

None

14. Adjournment:

Jim Steele adjourned the meeting at 4:10 p.m.

Respectfully Submitted,



Marcus Beverly, Risk Manager and Secretary
ABAG PLAN Corporation